MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015/2016

DFA5038 – FINANCIAL ACCOUNTING 3

(For Diploma Students Only)

30 MAY 2016
2:30 P.M – 5:30 P.M
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **7** pages with **5** questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

RiMaison Haute Store prepared the following analysis of cost of goods sold for the previous three years:

	2013 RM	2014 RM	2015 RM
Beginning Inventory (1 January)	80,000	36,000	50,000
Cost of Goods Purchased	100,000	110,000	140,000
Cost of Goods Available for Sale	180,000	146,000	190,000
Ending Inventory (31 December)	36,000	50,000	80,000
Cost of Goods Sold	144,000	96,000	110,000

Net income for the years 2013, 2014, and 2015 was RM140,000, RM120,000, and RM110,000, respectively. Since net income was consistently declining, Datuk Rizalman hired a new accountant to investigate the cause(s) for the declines.

The accountant determined the following:
1. Purchases of RM50,000 were not recorded in year 2013.
2. On 31 December 2013 total inventory should have been RM48,000.
3. In year 2014 ending inventory included inventory costing RM10,000 that was purchased on FOB Destination and in transit at year end.
4. In year 2015 ending inventory did not include goods costing RM8,000 that were shipped on December 29 to Laduree Haute Store, FOB Shipping Point. The goods were still in transit at the end of the year.

Instructions

(a) Calculate the new cost of goods sold for each year. (5 marks)
(b) Calculate the correct net income for each year. (4 marks)

Part B

Pince & Pints Company uses the periodic inventory method and had the following inventory information available:

		Units	Unit Cost (RM)	Total Cost (RM)
1 Jan	Beginning Inventory	100	4	400
20 Jan	Purchase	400	6	2,400
25 July	Purchase	200	7	1,400
20 Oct	Purchase	300	8	2,400
		1,000		6,600

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A physical count of inventory on December 31 revealed that there were 400 units on hand.

Instructions
Answer the following independent questions and show computations supporting your answers.

1. Assume that the company uses the FIFO method. Calculate value of the ending inventory at December 31.
2. Assume that the company uses the Average-Cost method. Calculate value of the ending inventory on December 31.
3. Assume that the company uses the LIFO method. Calculate value of the ending inventory on December 31.
4. Determine the difference in the amount of income that the company would have reported if it had used the FIFO method instead of the LIFO method. Would income have been greater or less?

(11 marks)

Part C

Match the items below by entering the appropriate code letter as provided.

A.	Merchandise Inventory	F.	First-in, first-out (FIFO) Method
B.	Work in Process	G.	Last-in, first-out (LIFO) Method
C.	FOB Shipping Point	H.	Average-Cost Method
D.	FOB Destination	I.	Inventory Turnover
E.	Specific Identification Method	J.	Current Replacement Cost

1. Measures the number of times the inventory sold during the period.
2. Tracks the actual physical flow for each inventory item available for sale.
3. Goods that are only partially completed in a manufacturing company.
4. Cost of goods sold consists of the most recent inventory purchases.
5. Goods ready for sale to customers by retailers and wholesalers.
6. Title to the goods transfers when the public carrier accepts the goods from the seller.
7. Ending inventory valuation consists of the most recent inventory purchases.
8. The same unit cost is used to value ending inventory and cost of goods sold.
9. Title to goods transfers when the goods are delivered to the buyer.
10. The amount that would be paid at the present time to acquire an identical item.

(5 marks)

[TOTAL 25 MARKS]

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QUESTION 2

Part A

Minaz Corporation purchased 70,000 shares of common stock of Radiusite Corporation as a long-term investment for RM1,800,000. During the year, Radiusite Corporation reported net income of RM600,000 and paid dividends of RM200,000.

Instructions

(a) Assuming that the 70,000 shares represent a 10% interest in Radiusite Corporation:

i. Prepare journal entry to record the investment in Radiusite Corporation's stock.

ii. Prepare any entries that Minaz Corporation should make in accounting for its investment in Radiusite Corporation's stock during the year.

iii. What is the balance of the Stock Investments account on Minaz Corporation's books at the end of the year?

(3 marks)

(b) By using requirement in (a), assume that the 70,000 shares represent a 20% interest in Radiusite Corporation. (4 marks)

Part B

Deqoya Company purchased 100 Bikaya Company 12%, 10-year, RM1,000 bonds on 1 January 2015, for RM100,000. The bonds pay interest semiannually. On 1 January 2016, after receipt of interest, Deqoya Company sold 60 of the bonds for RM56,600.

Instructions

(a) Prepare the journal entries to record the transactions above. (6 marks)

(b) Briefly explain how debt and stock investments are reported in financial statements. (2 marks)

[TOTAL 15 MARKS]

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QUESTION 3

Part A

On 1 January 2015, Bella Ammara and Sugar Scarf have formed the Sugar Belle Partnership, and have capital balances of RM260,000 and RM200,000, respectively. On 1 June 2015, Sugar Scarf invested an additional RM60,000. Also during the year, Bella Ammara withdrew RM120,000 and Sugar Scarf withdrew RM96,000. Sales for the year amounted to RM720,000 and expenses were RM480,000.
Bella Ammara and Sugar Scarf share income and losses on a 3:1 basis.

Instructions
(a) Prepare the closing entries for Sugar Belle Partnership at 31 December 2015. (5 marks)
(b) Prepare Statement of Changes in Owners' Equity for year 2015. (7 marks)

Part B

Vivy, Ajjrina, and Asma are forming AVA Partnership.
Vivy is transferring RM80,000 of personal cash and equipment worth RM76,000 to the partnership.
Ajjrina owns land worth RM54,000 and a small building worth RM224,000, which she transfers to the partnership. There is a long-term mortgage of RM80,000 on the land and building, which the partnership assumes.
Asma transfers cash of RM20,000, accounts receivable of RM108,000, supplies worth RM10,000, and equipment worth RM56,000 to the partnership. The partnership expects to collect RM96,000 of the accounts receivable.

Instruction
Prepare Statement of Financial Position for AVA Partnership after partners' investments on 31 December 2015. (7 marks)

Part C

At 31 December 2015, Reka Teemor Company has cash RM100,000, non-cash assets RM500,000, liabilities RM276,000, and the following capital balances: Faiz RM224,000 and Mumtaz RM100,000. The firm is liquidated, and RM530,000 in cash is received for the non-cash assets. Faiz and Mumtaz income ratios are 60% and 40%, respectively.

Instructions
Prepare the entries to record:
i. Sale of non-cash assets.
ii. Allocation of the gain or loss on liquidation to the partners.
iii. Payment of creditors.
iv. Distribution of cash to the partners.

(6 marks)

[TOTAL 25 MARKS]

Continued.....

QUESTION 4

Part A

On 1 March 2015, Syamhara Company borrows RM300,000 from CDP Bank by signing a 6-month, 8%, interest-bearing note.

Instructions
Prepare the necessary entries below associated with the note payable on the books of Syamhara Company.
(a) Prepare the entry on 1 March 2015 when the note was issued.
(b) Prepare any adjusting entries necessary on 30 June 2015 in order to prepare the semi-annual financial statements. Assume no other interest accrual entries have been made.
(c) Prepare the adjusting entry at 31 August 2015 to accrue interest.
(d) Prepare the entry to record payment of the note at maturity.

(5 marks)

Part B

Pelangi Putri Publications publishes a home and garden magazine. The magazine sells for RM6 a copy on the newsstand. Yearly subscriptions to the magazine cost RM48 per year (12 issues). During December 2015, Pelangi Putri Publications sells 24,000 copies of the home and garden magazine at newsstands and receives payment for 40,000 subscriptions for 2016. Financial statements are prepared monthly.

Instructions
(a) Prepare the December 2015 journal entries to record the newsstand sales and subscriptions received.

(2 marks)

(b) Prepare the necessary adjusting entry on 31 January 2016. The January 2016 issue has been mailed to subscribers.

(1 mark)

Part C

Kitchen Aid Company sells a product that includes a one-year warranty on parts and labor. During the year, 20,000 units are sold. Kitchen Aid Company expects that 6% of the units will be defective and that the average warranty cost will be RM100 per unit. Actual warranty costs incurred during the year were RM28,000.

Instructions
Prepare the journal entries to record:
(a) the estimated warranty costs and
(b) the actual costs incurred.

(2 marks)

Continued.....

Part D

Attempt all the questions below.

(a) Explain a current liability, and identify the major types of current liabilities.
(b) Describe the accounting for notes payable.
(c) Explain the accounting for other current liabilities.
(d) Explain the financial statement presentation and analysis of current liabilities.
(e) Describe the accounting and disclosure requirements for contingent liabilities.

(5 marks)

[TOTAL 15 MARKS]

QUESTION 5

Part A

The comparative Statements of Comprehensive Income for Padusi Couture Corporation are shown below.

Padusi Couture Corporation Comparative Statements of Comprehensive Income for the years ended 31 December		
	2015	**2014**
	RM	**RM**
Net sales	2,640,000	2,400,000
Less: Cost of goods sold	1,932,000	1,680,000
Gross profit	708,000	720,000
Less: Operating expenses	500,000	480,000
Net income	**208,000**	**240,000**

Instructions

(a) Prepare a horizontal analysis using 2014 as a base. (5 marks)
(b) Prepare a vertical analysis for both years. (5 marks)

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Part B

Louloudi Blooms Corporation has the following comparative Statements of Financial Position data.

Louloudi Blooms Corporation Statements of Financial Position as at 31 December		
	2015	**2014**
	RM	**RM**
Cash	60,000	120,000
Accounts receivable (net)	280,000	240,000
Inventory	240,000	200,000
Plant assets (net)	800,000	720,000
TOTAL	**1,380,000**	**1,280,000**
Accounts payable	200,000	240,000
Long-term loan	400,000	400,000
Common stock, RM10 par	560,000	480,000
Retained earnings	220,000	160,000
TOTAL	**1,380,000**	**1,280,000**

Additional information for 2015:

1. Net income was RM100,000.
2. Sales on account were RM1,640,000. Sales returns and allowances were RM80,000.
3. Cost of goods sold was RM792,000.

Instructions

Compute the following ratios below at 31 December 2015.

(a) Current ratio.
(b) Acid-test ratio.
(c) Accounts receivable turnover.
(d) Inventory turnover.

(10 marks)

[TOTAL 20 MARKS]

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